

Prepay of Capital Reserve Requirements

1. The goal of the policy is to address partner rate interests while at the same time meeting system investment expectations that have been based on making system investments and collecting long-term depreciation and return on investment revenues over the useful life of the subject asset.
2. The election to prepay a system investment is irrevocable once executed.
3. Except in 2011, when deadlines shall be waived, application for prepay elections must be received by June 30 of any given rate study year.
4. All prepay elections must be reviewed and approved by the Utility Advisory Board by September 30 of any given rate study year.
5. A one-time payment must be received by October 31 in any given rate study year to be considered in the final rate study.
6. The review process shall include examination and description of the impact of the election to prepay a system investment on all system partners.
7. For a system financed asset that is not zonegated: The “prepay payment” would be equal to the present value of the sum of the revenue requirements for the remainder of the asset’s useful life. The revenue requirement consists of depreciation expense and return on investment for non-zonegated assets calculated using the most recent Rate Study. The Partner’s “prepay payment” would result in there being no revenue requirement related to that asset in future rate studies.
8. For a system financed asset that is zonegated: The “prepay payment” would be calculated in the same way as above, except that the return on investment would be the return on investment for zonegated assets in the most recent Rate Study. The revenue requirement in future rate studies for the partner making the “prepay payment” would then be reduced by the revenue requirement for that asset.